

This letter responds to a letter dated January 16, 2008, submitted on behalf of Parent, requesting relief under §§ 301.9100-1 and 301.9100-3 of the Procedure and Administration Regulations to file an election. Parent requests an extension of time to file an election under § 1.1502-20(i)(4) of the Income Tax Regulations to apply the

provisions described in § 1.1502-20(i)(2)(ii) and § 1.337(d)-2 to determine the amount of allowable loss sustained upon the disposition of the stock of Subsidiary 2, a member of its consolidated group. The material information submitted is summarized below.

Parent is the common parent of a consolidated group that included Subsidiary 1 and Subsidiary 2. The consolidated group files its tax returns on a calendar basis.

Subsidiary 1 owned all of the stock of Subsidiary 2. In Date 1, Subsidiary 1 claimed a worthless securities deduction pursuant to § 165(g)(3) for the stock of Subsidiary 2. An election under § 1.1502-20(i)(4) to apply the provisions described in § 1.1502-20(i)(2)(ii) and § 1.337(d)-2 was required to be filed with or as part of Parent's timely filed return for its taxable year that included August 26, 2004. However, for various reasons, Parent failed to make an election during this time. Parent later discovered the failure, and filed for the relief herein requested.

Section 1.1502-20(i)(2)(ii) provides that in the case of a disposition of stock of a subsidiary before March 7, 2002, a consolidated group may determine the amount of the member's allowable loss by making an election to apply the provisions of § 1.337(d)-2.

Section 1.1502-20(i)(4) provides, in general, that an election to determine allowable loss by applying the provisions described in § 1.1502-20(i)(2)(i) or (ii) is made by including the statement described in § 1.1502-20(i)(4) with or as part of any timely filed (including any extensions) original return for the taxable year that includes August 26, 2004, or with or as part of an amended return filed before the date the original return for the taxable year that includes August 26, 2004, is due (including any extensions).

Under § 301.9100-1(c), the Commissioner has discretion to grant a reasonable extension of time to make a regulatory election, or a statutory election (but no more than six months except in the case of a taxpayer who is abroad), under all subtitles of the Internal Revenue Code except subtitles E, G, H, and I.

Sections 301.9100-1 through 301.9100-3 provide the standards the Commissioner will use to determine whether to grant an extension of time to make a regulatory election. Section 301.9100-2 provides automatic extensions of time for making certain elections. Section 301.9100-3 provides extensions of time for making regulatory elections that do not meet the requirements of § 301.9100-2. Requests for relief under § 301.9100-3 will be granted when the taxpayer provides evidence to establish that the taxpayer acted reasonably and in good faith, and that granting relief will not prejudice the interests of the government.

In this case, the time for filing the election is fixed by the regulations (i.e., § 1.1502-20(i)(4)). Therefore, the Commissioner has discretionary authority under § 301.9100-3 to grant an extension of time for Parent to file the election. Relief can be granted if Parent establishes that it acted reasonably and in good faith, the requirements of

§§ 301.9100-1 and 301.9100-3 are satisfied, and granting relief will not prejudice the interests of the government.

Information, affidavits, and representations submitted by Parent and Company Official explain the circumstances that resulted in the failure to timely file a valid election. The information establishes that Parent reasonably relied on a qualified tax professional who failed to make, or advise Parent to make the election; the request for relief was filed before the failure to make the election was discovered by the Internal Revenue Service; and that the interests of the government will not be prejudiced if relief is granted. See § 301.9100-3(b)(1)(i) and (v).

Based on the facts and information submitted, including the representations that have been made, we conclude that Parent has established that it acted reasonably and in good faith in failing to timely file the election, the requirements §§ 301.9100-1 and 301.9100-3 are satisfied, and granting relief will not prejudice the interests of the government. Accordingly, we grant an extension of time under § 301.9100-3, until 45 days from the date on this letter, for Parent to file the election described in § 1.1502-20(i)(4) to apply the provisions of §§ 1.1502-20(i)(2)(ii) and 1.337(d)-2.

WITHIN 45 DAYS OF THE DATE ON THIS LETTER, Parent must amend its return for its taxable year that included August 26, 2004, to include the statement described in § 1.1502-20(i)(4). A copy of this letter must be attached to the return and any other relevant return. Alternatively, in lieu of attaching a copy of this letter to the returns, taxpayers filing their returns electronically may attach a statement to the return that provides the date and control number of the letter ruling.

The above extension of time is conditioned on Parent's consolidated group's tax liability, if any, not being lower, in the aggregate for all years to which the election applies, than it would have been if the election had been made timely (taking into account the time value of money). No opinion is expressed as to Parent's consolidated group's tax liability for the years involved. A determination thereof will be made upon audit of the Federal income tax returns involved. Further, no opinion is expressed as to the Federal income tax effect, if any, if it is determined that Parent's consolidated group's liability is lower. Section 301.9100-3(c).

In addition, no opinion is expressed as to the tax effects or consequences of filing the election late under the provisions of any other section of the Code and regulations, or as to the tax treatment of any conditions existing at the time of, or resulting from, filing the election late that are not specifically set forth in the above ruling. In particular, we express no opinion as to whether or when Subsidiary 2's stock did become worthless. For purposes of granting relief under § 301.9100-3, we relied on certain statements and representations made by the taxpayer and its representatives. However, all of the essential facts must be verified. In addition, notwithstanding that an extension is granted under § 301.9100-3 to file the election, penalties and interest that would otherwise be

applicable, if any, continue to apply.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

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Ken Cohen  
Senior Technician Reviewer, Branch 3  
Office of Associate Chief Counsel (Corporate)

cc: